



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS CONSERVATION FOUNDATION

Financial Audit and Compliance Examination
 For the Year Ended June 30, 2014

Release Date: February 11, 2015

FINDINGS THIS AUDIT: 5				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2013	14-3		
Category 2:	2	1	3	2011	14-1		
Category 3:	0	0	0	2009		14-2	
TOTAL	2	3	5				
FINDINGS LAST AUDIT: 5							

SYNOPSIS

- (14-1) The Foundation's financial reporting process is lacking sufficient internal controls.
- (14-3) The Foundation's internal controls related to accounting transactions should be enhanced.
- (14-2) All of the Foundation's accounting functions are performed by one employee creating a segregation of duties issue.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on next page.}

ILLINOIS CONSERVATION FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2014

STATEMENT OF ACTIVITIES	FY 2014	FY 2013
Program Revenue:		
Charges for Goods.....	\$ 29,249	\$ 13,650
Operating Grants and Contributions - General Administrative.....	150,808	424,470
Operating Grants and Contributions - Natural Resources & Recreation.....	747,591	867,217
Capital Grants and Contributions - Natural Resources & Recreation.....	-	22,700
Total Program Revenue.....	<u>927,648</u>	<u>1,328,037</u>
Expenses:		
General Administrative.....	330,458	437,139
Natural Resources and Recreation.....	827,867	839,299
Total Expenditures.....	<u>1,158,325</u>	<u>1,276,438</u>
Net (Expense) Revenue.....	(230,677)	51,599
General Revenue:		
Restricted Investment Earnings.....	14,302	-
Restricted Investment - Unrealized Gain.....	12,500	-
Unrestricted Realized Gain.....	282,994	42,613
Unrestricted Investment - Unrealized Gain.....	11,471	60,219
Unrestricted Investment Earnings.....	60,521	78,221
Change in Net Position.....	<u>151,111</u>	<u>232,652</u>
Net Position, Beginning of Year.....	<u>7,608,168</u>	<u>7,375,516</u>
Net Position, End of Year.....	<u>\$ 7,759,279</u>	<u>\$ 7,608,168</u>
STATEMENT OF NET POSITION	FY 2014	FY 2013
Assets:		
Cash and Cash Equivalents.....	\$ 422,289	\$ 418,017
Accounts Receivable.....	27,944	21,107
Accrued Investment Income.....	10,828	8,124
Prepaid Expenses.....	27,354	12,381
Investments.....	2,789,487	2,646,424
Capital Assets, Net.....	4,550,432	4,568,237
Total Assets.....	<u>7,828,334</u>	<u>7,674,290</u>
Liabilities:		
Accounts Payable.....	65,090	46,180
Accrued Expenses.....	3,965	19,942
Total Liabilities.....	<u>69,055</u>	<u>66,122</u>
Net Position:		
Natural Resources and Recreation - Restricted.....	1,297,500	1,377,198
Endowment/Nonexpendable - Restricted.....	70,219	125,800
Education - Restricted.....	81,382	-
Unrestricted.....	1,759,746	1,536,933
Investment in Capital Assets.....	4,550,432	4,568,237
Total Net Position.....	<u>\$ 7,759,279</u>	<u>\$ 7,608,168</u>
FOUNDATION CHIEF EXECUTIVES		
During Audit Period: Marc Miller, Acting Executive Director, Travis Loyd, Acting Executive Director, Eric Schmidt, Executive Director & Marc Miller, Chairman		
Currently: Eric Schmidt, Executive Director & Wayne Rosenthal, Chairman		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO IMPROVE FINANCIAL REPORTING
PROCESS**

The Illinois Conservation Foundation (Foundation) does not have sufficient internal controls over the financial reporting process.

Reporting errors

Several errors were identified during the audit of the Foundation's financial statements. The Foundation's financial statements were adjusted for the following reporting errors:

Adjusting entries not made

- The Foundation failed to make numerous adjusting entries to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**\$16,616 adjustment to correct the
expense and unrealized loss balances**

- The Foundation recorded brokerage fees for certain investment accounts as unrealized losses in error. A net audit adjustment of \$16,616 was recorded to correct the balances in the expense and unrealized loss accounts.

**\$32,262 adjustment to correct the
revenue and expense accounts**

- The Foundation recorded a payment of credit card receipts to another governmental entity as an expense, rather than offsetting the original revenue recorded. A net audit adjustment of \$32,262 was recorded to reduce both the appropriate revenue and expense accounts.

**\$10,000 adjustment to correct the
federal revenue and federal expense
accounts**

- The Foundation did not properly account for \$10,000 of federal revenues and expenses. An audit adjustment was recorded to increase both the federal revenue and expense accounts for the omitted activity. (Finding 1, pages 11-12) **This finding was first reported in 2011.**

We recommended the Foundation implement additional internal control procedures to ensure financial statements are prepared in accordance with GAAP.

Management agrees with auditors

Foundation management accepted our recommendation. (*For the previous Foundation response, see Digest Footnote #1.*)

**NEED TO ENHANCE CONTROLS OVER
ACCOUNTING TRANSACTIONS**

The Foundation did not maintain adequate internal controls over accounting transactions. The following weaknesses were noted during testing:

- The Foundation’s adjusting journal entries did not have evidence of review and approval by an individual independent of the preparer.
- Three of 36 bank reconciliations were not completed in a timely manner. Thirty-six of 36 bank reconciliations did not have evidence of review and approval by an individual independent of the preparer.
- The Foundation’s credit card and cash receipts postings recorded into the general ledger did not have evidence of review and approval by an individual independent of the preparer.
- The Foundation’s payroll and payroll related expense activity recorded into the general ledger, as well as hourly timesheets, did not have evidence of review and approval by an individual independent of the recording.
- One of 117 paid invoices tested was a duplicate payment made in the amount of \$2,850 that was not detected by the Foundation.
- The Foundation did not obtain dual signatures on 3 of 22 expenditures tested greater than \$5,000. (Finding 3, pages 14-15)

No evidence of independent reviews and approval

\$2,850 duplicate payment made and not detected

Lack of dual signatures on expenditures over \$5,000

We recommended the Foundation document reviews of journal entries, bank reconciliations, credit card receipts and cash receipts postings, and payroll reports and hourly timesheets on the face of the document with the reviewer’s initials and date of review. Also, the Foundation should implement procedures to ensure duplicate payments are not made and to ensure that bank reconciliations are completed in a timely manner and that all disbursements greater than \$5,000 include two required signatures. The Foundation should also request the duplicate payment made be refunded.

Management agreed with auditors

Foundation management accepted our recommendation.

INADEQUATE SEGREGATION OF DUTIES

All accounting functions are performed by one employee

The Foundation lacks adequate segregation of duties over its accounting functions.

The Foundation has three employees, an Executive Director, a Chief Financial Officer, and a property manager. Because of the small size of the Foundation staff, all of the accounting functions are performed by one employee which creates a segregation of duties issue. (Finding 2, page 13) **This finding was first reported in 2009.**

We recommended the Board of Directors remain involved in the financial affairs of the Foundation to provide oversight and independent review functions.

Management agrees with auditors

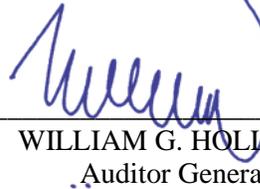
Foundation management accepted our recommendation. (*For the previous Foundation response, see Digest Footnote #2.*)

OTHER FINDINGS

The remaining findings pertain to a failure to sufficiently collateralize deposits and inadequate controls over vacation pay. Auditors will review the Foundation's progress towards the implementation of all the recommendations in the next engagement.

AUDITOR'S OPINION

The auditors expressed an unmodified opinion on the Foundation's financial statements for the year ended June 30, 2014.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line. The signature is stylized and cursive.

WILLIAM G. HOLLAND
Auditor General

WGH:APA

SPECIAL ASSISTANT AUDITORS

Kemper CPA Group, LLP was our special assistant auditor for this engagement.

DIGEST FOOTNOTES

#1 – NEED TO IMPROVE FINANCIAL REPORTING PROCESS

2013: The Foundation agrees.

#2 – INADEQUATE SEGREGATION OF DUTIES

2013: The Foundation agrees.